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Poultry Semi-Annual Report

2009

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Report Highlights:
Domestic poultry production is forecast to increase 8.8 percent in 2009 compared to a 15.5 percent jump in 2008. This growth is directly related to investment credit subsidies as laid out by the National Priority Project in agriculture as well as continued government imposition of import restricting policies. Turkey production is expected to increase 12.5 percent in 2009 as investors continue to commit resources to increase production capacity. Russia's Chief Medical Officer signed a resolution that prohibits the use of chlorinated anti-microbial washes in poultry production as of January 1, 2010. If implemented, the new chlorine maximum residue level will be 100 times more stringent than the current Russian requirement for poultry production and will have a major impact on trade. Poultry imports into Russia totaled 1.218 million MT in 2008 valued at $1.339 billion. The United States continues to be the largest poultry exporter to Russia with 63 percent of total market share in 2008.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Moscow [RS1]
[RS]

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Executive Summary

Domestic poultry production is expected to increase 8.8 percent in 2009 compared to a 15.5 percent growth rate in 2008.[1] The fact that the production forecast is still positive in the middle of a serious global financial crisis is directly related to investment credit subsidies as laid out by the National Priority Project in agriculture (NPP) as well as continued government imposition of import restricting policies. The global financial crisis and devaluation of the Russian ruble has halted construction of dozens of new poultry facilities and froze renovations of several existing poultry facilities. According to the Russian Statistics Agency (Rosstat), Russia harvested a record 112.5 million metric tons (MMT) of grain (bunker weight) by the beginning of November 2008. Feed stocks will be sufficient in 2009 as feed grain stocks increased by 17 percent in late 2008 in comparison with 2007. A larger stock should help keep production costs lower which is expected to keep farmgate prices (and possibly retail praises) stable.

The Russian Union of Poultry Producers (RUPP), the Russian Poultry Union and other such organizations continue lobbying for more government support such as more subsidized credits, and trade restriction on imported poultry. The average price for domestic frozen chicken leg quarters (CLQ) increased 10 percent from June 2007 to June 2008 while prices for imported CLQ increased only 3 percent.

Turkey production is forecast to increase 12.5 percent in 2009 as investors continue to commit resources to increase production capacity. Producers are marketing turkey a healthier, more affordable alternative to red meat. Growing domestic production and rising levels of domestic and foreign investment in this area are expected to compensate for lower imports associated with the stronger dollar.

Russia's Chief Medical Officer Gennadiy Onishchenko signed Resolution #33 in June 2008 that prohibits the use of chlorinated anti-microbial washes in poultry production scheduled to take effect January 1, 2009. In late December 2008, Onishchenko postponed implementation of the resolution until January 1, 2010. The new chlorine maximum residue level will be 100 times more stringent than the current level set in Russian regulations for poultry production. In effect, the resolution will prohibit the common industry practice of using chlorine in antimicrobial washes to kill surface food-borne pathogens such as *Salmonella* and *E. coli* and will have a major impact on U.S. exports to Russia.

Production

Broiler production increased 15.5 percent in 2008 and is projected to grow another 8.8 percent in 2009 even though many project using subsidized government credits have been frozen due to the global financial crisis and tight credit market in Russia. In response, the Russian Poultry Union lobbied the Russian government to reduce the total tariff rate quota for poultry in 2009 and to substantially increase the out-of-quota duty rate for imported poultry meat.

Poultry meat production is slated to increase to 2.3 MMT by 2012, including an increase of 140,000 MT in 2009 alone. Egg production remained flat in 2008 but is expected to grow at a much faster pace in 2009 due to expanding demand of domestic food processors.

Domestic turkey production is forecast to increase 12.5 percent in 2009. Several investors signed a $100 million agreement in late 2007 to build a turkey production facility in southern

[1] Data included in this report are not official USDA data. Official USDA data are available at **http://www.fas.usda.gov/psdonlineonline**.

Russia which is now operational. Currently five major players dominate and they are steadily increasing turkey production. The total turkey meat consumption potential in Russia is approximately 150,000 MT, according to estimates of respected market analysts. Turkey is still a relatively new product in Russia and has been marketed over the last few years as a healthy, less expensive alternative to beef and pork. In retail trade, turkey prices are 30-50 percent higher than broiler meat, and profits are up to 15 percent higher.

Poultry production is the only agro-industrial sub-industry that has managed to triple output over the last ten years and break the record levels of 1992. Weight gain a day increased up to 50 grams a day (21.9 grams a day before 1992), due to introduction of new crosses of imported and domestic origin, modern management, feeding technologies, and diet. Average carcass weight reached about 1.95 kilograms (kg) in 2008 (carcass weight was 1.4 kg before 1992), and better conversion rate - 1.85 kg of feed per kg of meat (3.44 kg before 1992). Concentration of poultry production in Russia is growing – the 30 largest poultry facilities produce more than 60 percent total poultry meat. This has led to the introduction of new equipment and new technologies which help reduce production costs. Domestic producers admit that significant improvements in the domestic poultry industry were reached thanks, in part, to stiff competition from foreign producers.

At the same time, however, market analysts agree that there is still room for improvement in the industry. Companies that produce approximately 40 percent of total domestic poultry meat are far behind in terms of modern technologies, equipment, genetics efficient management systems. The disparity between poultry prices and input costs for production are preventing speedy improvements at most of these facilities.

According to Russian Union of Poultry Producers (RUPP) representatives, per capita consumption of poultry meat will reach 15 kg by 2010 (11 kg in 2008). As a result, they stated that the domestic poultry industry will have to increase production by improving management, utilizing better genetic stock, upgrade older poultry facilities with new technologies, and integrate western management practices if they are to compete with foreign producers for the growing consumption trend. According to RUPP, this goal can be achieved through the creation of vertically integrated structures and relatively closed circle "production-processing trade" on their bases. The united financial and technological system should include hatching and processing facilities, poultry farms, grain production, feed meals, and producers of biologically active components as well as veterinary substances as structural divisions. Such vertically integrated complexes already exist in many regions and have substantial support from federal and regional governments.

Table 1. Russia: Average Farmgate Prices, in Rubles per MT, Live Weight

	1998	1999	2005	2006	2007	2008	Percent Change 08/07
Cattle	4,933	11,729	26,017	39,235	41,762	45,641	8.5
Sheep & Goats	3,675	8,672	19,858	30,356	33,647	37,571	9.5
Swine	8,769	16,247	33,117	51,821	49,051	60,988	19.5
Poultry	**8,694**	**16,507**	**25,710**	**39,822**	**43,350**	**45,075**	**4**
Milk	1,272	3,054	3,633	7,214	8,409	11,016	24
Eggs	445	858	978	1,651	1,974	2,471	20

Source: Rosstat

Table 2. Russia: Poultry, Meat, Broiler Production, Supply and Demand Table

Poultry, Meat, Broiler Russia	2007		2008		2009		
	2007		2008		2009		
	Market Year Begin: Jan 2007		Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		
	Annual Data Displayed	New Post **Data**	Annual Data Displayed	New Post **Data**	Annual Data Displayed	Jan **Data**	Unit of Measure
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	53	53	42	42	45	50	(1000 MT)
Production	1 350	1 350	1 550	1 600	1 780	1 740	(1000 MT)
Whole, Imports	90	90	85	75	80	75	(1000 MT)
Parts, Imports	1 132	1 132	1 150	1 080	1 110	905	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
Total Imports	1 222	1 222	1 235	1 155	1 190	980	(1000 MT)
Total Supply	2 625	2 625	2 827	2 797	3 015	2 770	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	2	2	2	2	2	2	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	2	2	2	2	2	2	(1000 MT)
Human Consumption	2 581	2 581	2 780	2 755	2 968	2 755	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	2 581	2 581	2 780	2 755	2 968	2 755	(1000 MT)
Total Use	2 583	2 583	2 782	2 757	2 970	2 757	(1000 MT)
Ending Stocks	42	42	45	40	45	13	(1000 MT)
Total Distribution	2 625	2 625	2 827	2 797	3 015	2 770	(1000 MT)

Table 3. Russia: Poultry, Meat, Turkey Production, Supply and Demand Table

Poultry, Meat, Turkey Russia	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			**Data**			**Data**
Inventory (Reference)	0	0	0	0	0	0	0		0
Slaughter (Reference)	0	0	0	0	0	0	0		0
Beginning Stocks	0	0	0	0	0	0	0		0
Production	25	30	25	35	40	40	40		45
Whole, Imports	0	0	0	0	0	0	0		0
Parts, Imports	75	65	75	80	65	63	80		45
Intra-EU Imports	0	0	0	0	0	0	0		0
Other Imports	0	0	0	0	0	0	0		0
Total Imports	75	65	75	80	65	63	80		45
Total Supply	100	95	100	115	105	103	120		90
Whole, Exports	0	0	0	0	0	0	0		0
Parts, Exports	0	0	0	0	0	0	0		0
Intra EU Exports	0	0	0	0	0	0	0		0
Other Exports	0	0	0	0	0	0	0		0
Total Exports	0	0	0	0	0	0	0		0
Human Consumption	99	94	99	114	104	102	120		84
Other Use, Losses	1	1	1	1	1	1	0		1
Total Dom. Consumption	100	95	100	115	105	103	120		85
Total Use	100	95	100	115	105	103	120		85
Ending Stocks	0		0	0	0	0	0		0
Total Distribution	100		100	115	105	103	120		85

Feed Stocks

The Ministry of Agriculture announced that grain production in 2008 topped 108 MMT, significantly higher than previous forecasts. The increase was due to good weather conditions in July and August, reported harvest progress, and excellent yields of winter grains - especially winter wheat - in European Russia. Prices of feed quality wheat and barley continue to fall rapidly.

Significant growth of the bio-fuel market globally caused an increase in grain and oilseed costs, according to market analysts, and the current market conditions for grains are expected to continue through 2009. Grain prices increased rapidly in Russia through July 2008 before stabilizing at high levels as harvest progress reports were released. Higher prices attract exports and domestic sales, and the current environment will stimulate investments in grain production in 2009.

Russia is developing protocols to register feed produced from genetically enhanced organisms (GEMs). A Russian government resolution transferred the testing and registration of feeds involving GEMs to the Ministry of Agriculture's Veterinary and Phytosanitary Surveillance Service (VPSS). VPSS has developed the draft administrative procedure for registration and has already received applications based on the procedures described in the draft.

On January 31, 2009, Russia announced a new duty of 5 percent on soybean meal scheduled to take effect in mid-March 2009. The new duty will be in place for nine months. Soybean meal has become an important feeding ingredient in poultry (and milk production) in Russia. Imports of soybean meal reached 710,000 MT in 2008, substantially lower than in 2007 due mostly to increased domestic crushing of soybeans at the new plant in Kaliningrad[2], and increased domestic production of sunflower seeds and feed grains, which have become competitive alternatives (in prices) to imported soybean meal. Thus, a temporary 5 percent import duty on soybean meal is not expected to have a major affect on domestic poultry production in 2009 but may do so in the long run. The devaluation of Russian ruble[3] coupled with the 5 percent duty will make imported soybean meal less competitive in price than domestic feeds, and protein feeds supply by the end of 2009 may shrink. Countries most affected by this increase will be Argentina and Brazil whose exports of soybean meal to Russia in the first 9 months of 2008 totaled $174.3 million and $83.5 million respectively. The United States exported $14.4 million of soybean meal during this same period.

In September 22, 2008, the Russian Ministry of Agriculture issued legislation for feed subsidies to poultry producers. 10 billion rubles will be allocated to compensate for feed expenses from the fall 2008 through spring 2009 for both swine and poultry operations. Poultry producers will receive 5 rubles per 1 kg of live weight, according to the legislation.

Table 4. Russia: Feed Stocks as of January 1, 2009, in MMT Feed Units[4]

	2007	2008	2009
Feed Availability	17.6	17.4	18.3
Including Feed Grain	5.8	5.8	6.8
Per 1 Cow-Equivalent Units[5]	10.9	10.6	11.2

Source: Rosstat

[2] For more information see GAIN RS8038 Oilseeds Annual 2008
[3] By the end of January 2009 exchange rate of $1 US increased to 36 rubles from 25 rubles in March 2009.
[4] Feed units are calculated in oat equivalence, where 1 feed unit = 1 kg of oats.
[5] Conversion Factor of one poultry to "Cow-Equivalent Units" = 0.02

Table 5. Russia: Breakdown of Broiler Production Cost in 2008

Cost item	Share, as % of total
Salary	4.9
Water and water wastes	0.4
Feed	**65.3**
Heating system	0.7
Poultry Losses	2.2
Buildings and equipment repair	0.5
Animal safety products	2.1
Raw materials and expendables	0.7
Transportation costs	1.0
Cost of day old hatchlings	20.2
Electricity	0.7
Other	1.4

Source: Poultry Magazine

Table 6. Russia: Livestock Conversion Factors: Calculation of "Cow-Equivalent Units"

Type of Livestock	Conversion Factor
Adult cattle	1.0
Calves, more than 1 year old	0.50
Calves, less than 1 year old	0.12
Adult hogs	0.50
Piglets, more than 4 month old	0.25
Piglets less than 4 month old	0.05
Adult sheep and goats	0.10
Lambs	0.06
Adult horses	1.10
Colts, more than 12 month old	0.80
Colts, less than 12 month old	0.25
Poultry	**0.02**

Source: Manual "Statistics", A.F. Grishina, 2003

Epizootic Situation

Poultry loss in 2008 is estimated to have reached 50 million head or 5 percent of the total poultry herd. In order to improve the epizootic situation of the domestic poultry herd, the Federal Veterinary and Phytosanitary Surveillance Service (VPSS) holds an annual "International Veterinary Congress for Poultry". The fourth such congress took place in Moscow in April 2008. Nearly 800 veterinary specialists from different regions in Russia as well as from several foreign countries participated in the event. The specialists at the conference agreed that significant growth of poultry production demands new approaches in order to provide appropriate poultry health care at farms. This means close cooperation between farm management and veterinary services. It was reported at the congress that the most widely spread infections in Russia are E. coli bacteria, Gumboro disease, bronchitis and Newcastle disease. Many poultry farms in Russia are not able to provide adequate veterinary care to poultry herds and can't comply with federal veterinary and sanitary rules that require farm operators to immunize poultry against these infections.

Consumption

Consumption of poultry meat is expected to remain flat in 2009 compared to more rapid 8-percent growth in domestic production. This is due, in most part, rising retail prices for both domestic and imported poultry as well as to government measures aimed at lowering import volumes of poultry in 2009.

Turkey meat consumption has increased in recent years in Russia but is expected to drop 17.5 percent in 2009. This is due, in large part, to high retail prices and a decrease in imports caused by strong dollar and stricter government measures to assure declaration of full customs values.

Although domestic poultry production is forecast to rise 8 percent in 2009, the poultry supply is expected to remain decrease slightly in 2009 due a significant drop in import volumes.

Trade

Poultry imports into Russia decreased from 1.287 million MT in 2007 to 1.218 million MT in 2008, while the value of imports significantly increased from $1.052 billion to $1.339 billion. The overall 2009 TRQ volume for poultry was lowered to 952,000 MT from 1.252 million MT. The 2009 U.S. quota allocation for poultry was cut from 931,500 MT to 750,000 MT for 2009. Duties were sharply increased on out-of-quota poultry imports as well to 95 percent but not less than 0.8 Euros per kg from of the previous rate of 40 percent but not less than 0.32 Euros per kg.

Table 7. Russia: Imports of Poultry, Meat & Fish, 2006-08, 1000 MT & Million USD

HS Code	Commodity	1000 MT			Million USD		
		CY 2006	CY 2007	CY 2008	CY 2006	CY 2007	CY 2008
0207	**Poultry, Fresh & Frozen**	**1,274**	**1,287**	**1,218**	**922**	**1,052**	**1,339**
0201-0204	Meat, Fresh & Frozen	1,310	1,417	1,619	3,017	3,431	4,917
0302-0304	Fish, Fresh & Frozen	689	871	881	996	1,413	1,659

Source: Federal Customs Service

The current livestock environment in Russia makes imported broiler meat an attractive source of animal protein for consumers. Cattle production has not yet begun to significantly recover in Russia and pork production growth is still below Ministry of Agriculture expectations. Rising feed prices are slowing investments in the domestic broiler industry as well.

In 2008, broiler cuts in relation to total poultry imports reached 84 percent; whole birds 7 percent; and turkey cuts 8 percent (compared to 82.5 percent, 8.5 percent and 8 percent, respectively in 2007). The U.S. share of total poultry imports (HS 0207) was 62.4 percent; Brazil 22 percent; and Germany 7 percent (compared to 60.4 percent, 23.4 percent and 6.8 percent, respectively a year earlier). Total turkey imports decreased 9.5 percent in 2008 in comparison with previous year figures. France (34 percent), Brazil (20 percent) and Germany (15.8 percent) were the largest exporters of turkey cuts to Russia while the United States and Belgium also exported significant quantities (15.4 percent and 9 percent, respectively).

Table 8. Russia: Imports of Poultry Products, HS 0207, CY 2006-08, in MT, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	Percent Change 08/07
	-- The World --	1,274,196	1,287,349	1,217,587	-5.42
1	**United States**	**878,311**	**890,375**	**851,341**	**-4.38**
2	Brazil	184,501	194,814	169,363	-13.06
3	Germany	63,925	82,256	86,832	5.56
4	France	58,033	60,025	54,244	-9.63
5	Belgium	30,802	26,014	15,892	-38.91
6	Canada	4,143	7,727	9,243	19.62
7	Netherlands	11,024	8,261	8,832	6.92
8	Argentina	1,778	3,468	5,342	54.05
9	Finland	5,693	4,509	3,551	-21.24
10	Denmark	6,322	1,755	3,536	101.54

Source: World Trade Atlas

Table 9. Russia: Imports of Poultry Products, HS 0207, CY 2006-08, in Million USD, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	Percent Change 08/07
	--The World--	921.53	1,051.71	1,339.32	100
1	**United States**	**545.51**	**634.89**	**835.90**	**59.2**
2	Brazil	215.46	245.69	294.94	23.38
3	Germany	49.84	71.62	95.69	5.41
4	France	44.32	49.69	58.18	4.81
5	Belgium	23.71	22.46	15.02	2.57
6	Netherlands	6.67	5.40	7.85	0.72
7	Canada	3.45	6.19	7.09	0.37
8	Argentina	1.84	3.12	6.32	0.2
9	Denmark	6.24	1.26	3.75	0.68
10	Hungary	1.99	2.16	3.63	0.22

Source: World Trade Atlas

Table 10. Russia: Poultry Imports by HS Code, CY 2006-2008, in MT

HS Code	Description	CY 2006	CY 2007	CY 2008	Percent Change 08/07
0207	Poultry Meat, Offals	1,274,196	1,287,349	1,217,587	-5.4
020712	Whole Chicken, Frozen	70,263	83,021	71,622	-13.7
020714	Chicken Cuts + Ed Offals, Frozen	1,111,002	1,126,102	1,073,984	-4.6
020725	Whole Turkey, Frozen	1,021	411	987	140
020726	Turkey Cuts + Edible Offals, Fresh	578	1,658	2,611	57.4
020727	Turkey Cuts + Edible Offals, Frozen	88,725	72,341	63,760	-11.9

Source: World Trade Atlas

Table 11. Russia: Broiler Cut Imports, HS 020714, in MT, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	Percent Change 08/07
	-- The World --	1,111,002	1,126,102	1,073,984	-4.63
1	**United States**	**864,467**	**878,200**	**841,483**	**-4.18**
2	Brazil	124,045	136,753	120,920	-10.93
3	Germany	46,771	58,804	55,339	-5.89
4	France	9,847	14,007	13,937	-0.51
5	Belgium	21,225	13,253	10,157	-23.36
6	Netherlands	11,024	7,601	8,832	16.21
7	Canada	2,707	6,156	6,622	7.56
8	Argentina	1,298	2,137	4,179	95.56
9	Finland	4,893	4,284	3,500	-18.3
10	Denmark	5,196	1,675	2,786	66.32

Source: World Trade Atlas

Table 12. Russia: Turkey Cuts Imports, GS 020727, in MT, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	Percent Change 08/07
	--The World--	88,725	72,341	63,760	-11.86
1	France	31,793	27,190	21,654	-20.36
2	Brazil	11,417	6,622	12,710	91.94
3	Germany	11,346	9,076	10,0455	10.68
4	**United States**	**13,818**	**12,155**	**9,805**	**-19.34**
5	Belgium	9,577	12,761	5,735	-55.06
6	Canada	1,437	1,521	2,621	72.37
7	Spain	161	768	861	12.17
8	Italy	327	57	288	406.13
9	Chile	0	0	24	0
10	Finland	691	206	13	-93.91

Source: World Trade Atlas

Table 13. Russia: Average Price for Imported Poultry, (USD/KG), CY 2006-2008

HS Code	Description	CY 2006	CY 2007	CY 2008	Percent Change 08/07
0207	Poultry Meat, Offals	0.72	0.82	1.10	34.64
020712	Whole Chicken, Frozen	1.04	1.07	1.31	22.02
020714	Chicken Cuts + Ed Offals, Frozen	0.67	0.77	1.05	35.83
020725	Whole Turkey, Frozen	2.04	2.10	2.19	4.29
020726	Turkey Cuts + Edible Offals, Fresh	0.32	0.52	0.65	25.13
020727	Turkey Cuts + Edible Offals, Frozen	1.07	1.17	1.68	42.29

Source: World Trade Atlas

Food Prices Are Skyrocketing

The Russian Statistics Agency (Rosstat) announced that the annual inflation rate hit 13.3 percent in 2008 (11.9 percent in 2007) with growth in food prices as a primary contributor. This was the highest annual inflation growth rate since 2002 when consumer prices increased 15.1 percent. Retail prices of meat and poultry increased in Russia by more than 23 percent in 2008 while the average growth of all food prices increased by nearly 18 percent. In January 2009 alone, food prices jumped 2 percent leading many Russian government officials to publically admit that rising food prices could threaten stability in the country. According to some recent forecasts by Rosstat officials, prices for imported food products and components from which food products are produced in Russia could grow by up to 20 percent in 2009. Prominent Russian government officials have called for steps to be taken that would "destroy the monopoly that exists in Russian retail and food processing sectors; stimulate domestic food production; and find alternatives trading partners that could supply cheaper foods as quickly as possible."

Representatives of grocery store chains stated in an industry meeting held in early February 2009 that retail food prices could grow as much as 25-45 percent by the end of 2009. According the retail sector members, the causes for price growth include the devaluation of the ruble, the large number of intermediaries in the production chain, and measures taken by numerous regions within Russia that prevent product from other regions to enter their markets. Another significant cause of higher meat prices is linked to the Russian Customs Service's new list of minimum declaration prices for custom clearance. The list was prepared last summer when actual prices were high. Since then prices have significantly decreased in exporting countries but importers are not permitted to declare actual lower prices through Customs.

Rosstat figures demonstrate that disposable income grew just 2.7 percent in 2008, after jumping 12.1 percent in 2007. Poultry and meat price growth in 2008 were the most significant when compared to 2007 figures.

Table 14. Russia: Consumer Price Indices for Selected Food Products, 2008

	Percentage as of previous month		Dec 08 as of Dec 07	Dec 07 as of Dec 06
	November	December		
Food Products	101.3	101.0	117.6	117.1
Meat & Poultry	**101.7**	**101.2**	**122.2**	**108.4**
Seafood	102.4	102.2	115.1	109.0
Milk & Dairy Products	101.4	100.7	112.2	130.4
Butter	100.9	100.6	110.5	140.3
Vegetable Oil	98.6	98.1	122.1	152.3
Eggs	103.0	101.3	113.8	128.7

Source: Rosstat

Ministry of Agriculture officials believes that high prices will improve compatibility and profitability of domestic meat and poultry producers. It previously accused imported meat of driving down farmgate pork prices, and expressed the need for serious measures to limit meat imports. A major cause of concern was the potential for weakening pork and poultry prices to harm the ability of new producers financed under the National Priority Project for agriculture to repay their loans.

Policy

Russia's chief negotiator for World Trade Organization accession, Maksim Medvedkov, remains optimistic that Russia may complete talks on joining the World Trade Organization (WTO) by the end of 2009. Medvedkov also stated in a recent press conference that he believes that progress is being made in talks on Russia's accession. To date, Russia has signed WTO protocols with all WTO members that wished to hold bilateral talks excluding Georgia. In addition to bilateral talks, Russia has yet to complete multilateral WTO negotiations although much progress has been made during the last year. The next round of multilateral discussions will take place in Geneva in March 2009.

Tariff-rate quotas on beef, pork and poultry meat imports for 2009 were modified after Russian officials held consultations with major trading partners in late 2008. The Russian government issued Resolution #918 in December 2008 on temporary import duties for certain varieties of beef and pork. Duties were sharply increased on imports of pork and poultry meat that exceed the tariff rate quotas in 2009, but lowered the duty on over quota beef imports. The over quota duty on chilled and frozen beef was lowered on January 1 to 30 percent but not less than 0.30 Euros per kilogram, pork imports exceeding the quota increased from 40 percent but not less than 0.55 Euros per kilogram to 75 percent but no less than 1.5 Euros per kilogram. The duty on poultry imports exceeding the quota increased to 95 percent but not less than 0.8 Euros per kilogram from the previous rate of 40 percent but not less than 0.32 Euros per kilogram. Meat market analysts are worried that the new measures may result in higher domestic prices for pork and poultry products.

Pork and poultry import TRQ volumes were also changed. The quota amount for poultry imports decreased to 531,900 MT from 502,200 MT by including trimmings (29,700 MT) in the quota which were listed in a different category in 2008. The share of U.S. pork quota allocation for 2009 increased to 100,000 MT from 50,700 tons. Negotiations will be conducted with major trading partners to decide what mechanism will be established for meat imports after 2009. Russian officials have not ruled out extending the current tariff-rate quota system, but its future after 2009 still remains uncertain. Representatives of the Ministry of Economic Development (MED) have stated in the past that Russia may change its policy on meat imports after it joins the WTO. In 2010, Russia has the option of switching from quotas to tariffs, which would effectively increase the level of protection in the domestic meat market. Commenting on proposals to eliminate the country allocation principle for distributing meat quotas, an MED representative said that this mechanism fully complies with WTO rules. He also added that this may be source of friction at future negotiations.

Conference on Meat Imports Held to Discuss Meat Imports After 2009

A conference titled, "Regime of Meat Imports Regulation for 2010 and Following Years," took place in late January 2009 and was headed by former Minister of Agriculture Aleksey Gordeyev. Participants included representatives of the Russian Meat Union, the Union of Meat Suppliers, the Russian Poultry Union, the National Meat Association, the Russian Union of Pork Producers, the Russian Union of Industrialists and Entrepreneurs and the Association of the Russian Poultry Market Operators joined the discussion on developing a new policy on meat and poultry imports after 2009. Gordeyev noted the necessity for "maintaining the current quota regime" which helps investors and market players better forecast the situation with more precision. At the same time Gordeyev believes that planning a TRQ distribution system should include all meat varieties and their volumes and should not be longer than a three-year period (2010-2012). "We need to establish such proportion of domestic and imported meat products that would enable us to resolve the issues of Russia's food security with consideration of changing global economic situations and influences of the world financial crisis," Gordeyev underlined. According to the Minister, the "first fiddle" in ensuring such balance exists in Russia's meat market "should be played by the business community which should share not only the high level of professionalism but also responsibility for proposed measures with us."

Hygienic Requirements for Food Additives Amended and Changed

Russia approved amendments and changes to hygienic requirements for food additives.[6] The new requirements are stipulated in SanPiN 2.3.2.2364-08 Amendments and Changes #1 to the Sanitary and Epidemiological Regulations SanPin 2.3.2.1293-03 Hygienic Requirements for Use of Food Additives. The original requirements were registered at the Ministry of Justice of Russia in 2003. The new hygienic requirements for food additives became effective on August 1, 2008.

Chlorine Ban Postponed

On June 2, 2008, Russia's Chief Medical Officer[7] Gennadiy Onishchenko signed Resolution #33, "On Production and Circulation of Poultry Meat". The resolution prohibits water-based solutions used to handle poultry carcasses that contain chlorine in amounts exceeding the hygienic requirements for drinking water, scheduled to take effect January 1, 2009. However, on December 4, 2008, Onishchenko issued Resolution #66 that postponed the enforcement of clause 1.1 of the Resolution No. 33 which prohibits the common industry practice of using chlorine in antimicrobial washes to kill surface food borne pathogens such as Salmonella and E. coli until January 1, 2010. If implemented, the new chlorine maximum residue level will be 100 times more stringent that the current level set in Russian regulation for poultry production.

[6] Please see GAIN RS8053 for more information.
[7] The status and authority of the Chief State Sanitary Inspector of the Russian Federation is similar to the Chief Medical Officer. The Chief State Sanitary Inspector of the Russian Federation is the Head of the Federal Service for Protection of Consumer Rights and Human Well-Being (Rospotrebnadzor).

Under Russia's current requirements, the free chlorine content in water used for chilling poultry may not exceed 50 milligrams per cubic decimeter (50 parts per million). Please visit the USDA Food Safety and Inspection Service's Export Library for more details on current Russian requirements at the following URL:

http://www.fsis.usda.gov/Regulations_%26_Policies/Russia_requirements/index.asp).

Onishchenko publically stated that he was forced to sign this resolution due to "scientific data that current permissible chlorine level is poisonous to human health." No scientific data showing that the current set level of 50 milligrams per cubic decimeter was harmful to human health was provided to the press or to interested parties that requested this information. Onishchenko contends that chilling poultry meat with water containing chlorine creates, on the surface and in deep muscle tissue, by-products from the oxidation of free chlorine that are hazardous to human health. In addition, the resolution also limits the liquid of thawed poultry meat to 4 percent of the product weight.

The Russian Poultry Union expressed its desire to restrict the chlorine treatment and liquid content of poultry carcasses in April 2008 as it would effectively block all U.S. exports of poultry to Russia. To this end, it published technical regulations entitled "On Requirements for Poultry Meat: Derivatives, Production, and Distribution". These regulations seek to prohibit the use of chlorine for antimicrobial treatment and limit the presence of liquid in thawed poultry meat. Approving new technical regulations, however, is a slow process as it must go up the bureaucratic ladder to the top. Apparently Onishchenko pushed Resolution #33 in an effort to expedite the adoption of these measures through normal channels.

Resolution #33 in Russian text can be found at the Federal Service for the Protection of Consumer Rights and Human Well-Being website:

http://www.rospotrebnadzor.ru/docs/decision/?id=2017

Other Relevant Reports

RS9010 Meat and Poultry Prices Update
http://www.fas.usda.gov/gainfiles/200903/146327404.pdf

RS9008 Economic Crisis Update
http://www.fas.usda.gov/gainfiles/200902/146327327.pdf

RS9005 New 5 Percent Import Duty on Soybean Meal
http://www.fas.usda.gov/gainfiles/200902/146327196.pdf

RS8096 Poultry and Meat Duties and Volumes changed for 2009
http://www.fas.usda.gov/gainfiles/200902/146327326.pdf

RS8091 December Grain Update
http://www.fas.usda.gov/gainfiles/200812/146306655.pdf

RS8087 Meat and Poultry TRQ Announced for 2009
http://www.fas.usda.gov/gainfiles/200811/146306457.pdf

RS8078 Feed Subsidies
http://www.fas.usda.gov/gainfiles/200810/146296116.pdf

RS8071 Poultry Annual report
http://www.fas.usda.gov/gainfiles/200809/146295900.doc

RS8064 New Method Proposed for Calculating 2009 Poultry Import Quotas
http://www.fas.usda.gov/gainfiles/200808/146295641.pdf

RS8050 Chlorine Use in Poultry Production Banned
http://www.fas.usda.gov/gainfiles/200807/146295041.pdf

RS8049 Frozen Poultry for Further Processing to be Banned
http://www.fas.usda.gov/gainfiles/200807/146295034.pdf

RS8041 Russia Lifts Import Duties On Hatching Eggs and Female Chicks for Breeding
http://www.fas.usda.gov/gainfiles/200806/146294858.pdf

RS8028 Russia Distributes All 2008 Poultry TRQ
http://www.fas.usda.gov/gainfiles/200804/146294301.pdf

RS8015 Poultry Semi-Annual Report
http://www.fas.usda.gov/gainfiles/200803/146293906.pdf

RS8007 Implementation Date Extended on Points of Entry for Meat Products
http://www.fas.usda.gov/gainfiles/200802/146293789.pdf

RS8006 Food Price Control Will Be Extended Until May 1, 2008
http://www.fas.usda.gov/gainfiles/200801/146293562.pdf

RS8005 Import Duties on Meat and Poultry Changed
http://www.fas.usda.gov/gainfiles/200801/146293553.pdf